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REPORT  
OF THE  
ORGANIZATION  
OF THE  
AMERICAN ECONOMIC ASSOCIATION.

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The need of an association designed to promote independent economic inquiry and to disseminate economic knowledge was keenly felt long before any determined effort was made to establish the desired organization. Suggestions looking to the formation of a society of economists were heard from time to time, but no active steps in this direction appear to have been taken before the spring of 1885, when it was agreed that the time was ripe for action, and it was determined to test the feelings in this matter of those who would be likely to prove helpful in associated scientific work in economics. The class of men required for this purpose was, it was believed, a large and constantly growing one. Men were wanted who were investigators, men, consequently, who did not believe that the entire range of economic knowledge had been compassed. It follows from this that it was not proposed to form a society of advocates of any political opinion or set of political opinions, as for example, free-trade or protection. It was not meant to deny that a free-trade club or a protectionist club might have its legitimate sphere, but it was held that this sphere lay outside the realm of science. Likewise it was not aimed to form a society to champion any class interests, either of rich or of

poor, either of employer or of employé. What was desired was a society which, free from all trammels, should seek truth from all sources, should be ready to give a respectful hearing to every new idea, and should shun no revelation of facts, but, on the contrary, should make the collection, classification and interpretation of facts its chief task. The ideal of this new society, as it presented itself to the minds of its projectors, was to seek light, to bear light, to diffuse light—ever the highest aim of all true science.

A statement of the objects of the proposed association and a platform were drawn up, which, while intended to be merely provisional, would be calculated to attract those who believed in economic research, who thought that there was a great work to be done in economics, and who for other reasons might be able to work together profitably. This platform, it must be distinctly asserted, was never meant as a hard and fast creed which should be imposed on all members, and least of all was it intended to restrict the freest investigation. The statement of objects and the proposed platform read as follows :

#### OBJECTS OF THIS ASSOCIATION.

- I. The encouragement of economic research.
- II. The publication of economic monographs.
- III. The encouragement of perfect freedom in all economic discussion.
- IV. The establishment of a bureau of information designed to aid all members with friendly counsels in their economic studies.

#### PLATFORM.

1. We regard the state as an educational and ethical agency whose positive aid is an indispensable condition of human progress. While we recognize the necessity of individual initiative in industrial life, we hold that the doctrine

of *laissez-faire* is unsafe in politics and unsound in morals; and that it suggests an inadequate explanation of the relations between the state and the citizens.

2. We do not accept the final statements which characterized the political economy of a past generation; for we believe that political economy is still in the first stages of its scientific development, and we look not so much to speculation as to an impartial study of actual conditions of economic life for the satisfactory accomplishment of that development. We seek the aid of statistics in the present, and of history in the past.

3. We hold that the conflict of labor and capital has brought to the front a vast number of social problems whose solution is impossible without the united efforts of Church, state and science.

4. In the study of the policy of government, especially with respect to restrictions on trade and to protection of domestic manufactures, we take no partisan attitude. We are convinced that one of the chief reasons why greater harmony has not been attained, is because economists have been too ready to assert themselves as advocates. We believe in a progressive development of economic conditions which must be met by corresponding changes of policy.

A prospectus containing this statement and platform was sent to a majority of those interested in political economy in our colleges and met with a hearty response in nearly every quarter. While there were not wanting criticisms of some of the phrases, there was general approval of the aims of the projected American Economic Association. The following names may be mentioned among those who were consulted, and who favored the plan of such an association as has been described:—Professors Henry C. Adams, John B. Clark, Edwin R. A. Seligman, Alexander Johnston, Arthur Yager, Woodrow Wilson, G. B. Newcomb, James H. Canfield and Jesse Macy. General Walker was not in the

United States, but his sympathy with the general views of those whose names have been mentioned was well known. Indeed, it was no secret that these gentlemen had derived their scientific impulse largely from him ; and that his active support would be given was not for a moment doubted. Prominent clergymen who had observed the practical bearings of the science of political economy, and had come to see, with Arnold, that "a faulty political economy is the fruitful parent of crime," promised their hearty co-operation from the start. Among them may be mentioned Rev. Dr. Lyman Abbott and Rev. Dr. Washington Gladden. Practical politics was represented by men like Hon. Carroll D. Wright, Commissioner of Labor of the United States Bureau of Labor.

The following extracts from letters received by the Secretary of this Association previous to the meeting for organization, will show the hearty welcome with which the proposed society was greeted.

DR. ALBERT SHAW, editor of the *Minneapolis Tribune*, wrote: "The time is ripe for the movement. . . . It seems to me the society will be a decided success from the start."

PROFESSOR HENRY C. ADAMS of Michigan expressed himself as follows: "The more I think of the project you have set on foot, the more am I convinced that it is timely, and that the association may be made the centre of a marked influence upon economic thought."

DR. WASHINGTON GLADDEN said: "I hope to co-operate in the organization of your society, in which I am deeply interested."

PROFESSOR J. B. CLARK of Smith College wrote: "The plan proposed is quite in line with my views and wishes. I shall be glad to be counted in in such an organization."

Other extracts from letters are as follows:—

PROFESSOR J. W. MONCRIEF: "It will afford me pleasure and profit to be a member of such an association."

PROFESSOR A. E. ROGERS of State College, Maine: "I heartily endorse the platform and think that it furnishes a

good foundation on which to build; for surely the fact that our current economic doctrines (i. e., current in the classroom) find so little acceptance in the business and political world, indicates a defect somewhere, either in the premises or mode of reasoning."

DR. LYMAN ABBOTT of the *Christian Union*: "I need hardly say that I am cordially glad to see an organic effort made to develop a more Christian and, as I believe, a more truly scientific political economy. I shall be very glad to co-operate in any way in my power in promoting your plans and purposes."

PROFESSOR E. B. ANDREWS of Brown University: "The more I reflect upon it, the more I am satisfied that such an organization cannot but be productive of good."

PRESIDENT WHITE of Cornell: "I agree with you entirely that the *laissez-faire* theory is entirely inadequate to the needs of modern states. I agree, too, entirely with the idea that we must look not so much to speculation, as to an impartial study of actual conditions of economic life, etc. In fact I like your whole statement, and I hope to connect myself with your association after my return from Europe—probably next summer."

The idea of an association of economists was encouraged by the press of the country, as is sufficiently shown in the following interesting and suggestive extracts from articles in the *Christian Union*<sup>1</sup> and *Philadelphia Times*.<sup>2</sup> While these articles may in some particulars fail to present the views of members of the American Economic Association with perfect accuracy, they at least exhibit a certain drift of public opinion.

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<sup>1</sup> July 23, 1885.

<sup>2</sup> August 20, 1885.

*From the Christian Union.*

### **THE NEW POLITICAL ECONOMY.**

“Political Economy has well been called the ‘dismal science;’ it may also be called the unprofitable science. ‘For my part,’ said Daniel Webster, ‘though I like the investigation of particular questions, I give up what is called the science of political economy. There is no such science. There are no rules on these subjects so fixed and invariable that their aggregate constitutes a science. I believe I have recently run over twenty volumes, from Adam Smith to Professor Dew; and from the whole if I were to pick out with one hand all mere truisms, and with the other all doubtful propositions, little would be left.’

“It has been palpably an unchristian science, for it has been avowedly organized selfishness. It is based on the assumption that the only motive for human action in trade and commerce worth considering is the motive of self-interest. ‘Once place a man’s ear,’ says Lord Sherbrooke, ‘within the ring of pounds, shillings, and pence, and his conduct can be counted on to the greatest nicety. I do not, of course, mean that everybody really acts alike where money or money’s worth is concerned, but that the deviations from a line of conduct which can be foreseen and predicted are so slight that they may practically be considered non-existent.’ No less was this political economy unscientific. It made no endeavor to ascertain how men actually do act; it only undertook to philosophize respecting the results, provided they acted in a certain assumed manner. ‘Political economy,’ says one of the teachers of the old school, ‘in so far as it lays down general propositions, is a science of reason rather than a science of observation; it has for its aim reasoned knowledge of the relations which flow from the nature of things.’

“There has recently sprung up in Germany, to which we owe so much, a new school of political economy, which is pursuing the inductive method, ascertaining how men act-

ually do act, gathering statistical and historical material, and educing the laws of human action from a wide observation of phenomena, as the laws of nature have been educed since the days of Bacon. In this country this new school of political economy, which, because it is inductive and truly scientific, finds itself compelled to be Christian—since Christianity is the highest form of the science of human nature—has, as yet, not acquired the influence on public opinion which it is destined to wield in the near future. There are very few prominent daily or weekly newspapers which habitually recognize either Christian principle or extended, pains-taking observation in the treatment of industrial and sociological questions. There are, however, numerous young progressive men in our colleges who have cast off allegiance to the old political economy, and who propose to unite with others like-minded in the formation of an American economic association. Among these may be mentioned Professors Henry C. Adams, of Michigan and Cornell Universities; James H. Canfield, of the University of Kansas; J. B. Clark, of Amherst and Smith Colleges; R. T. Ely, of the Johns Hopkins University; Woodrow Wilson, of Bryn Mawr; Arthur Yager, of Georgetown, Ky.; W. W. Folwell, of the University of Minnesota; Cooper, of Carleton College; G. Campbell, of Dartmouth, and others. President Andrew D. White has expressed sympathy with the movement, and it is hoped that he will lend his active aid upon his return from his year's absence in Europe. The new President of Cornell University, Professor Charles K. Adams, likewise favors it, while Professor Alexander Johnston, of Princeton, wishes to be enrolled among the followers of the new political economy.

“The pulpit in this, as in many other matters, has proved itself a leader, and although the preachers, burdened with the necessities of daily pastoral work, are not learned in this or other sciences as specialists, yet the pulpit discussions of the practical questions of the day are in this sense taking a leader-



ship—that they indicate the direction and trend of thought. With the exception of two or three men, it will be difficult to name any more advanced thinkers in the new school of political economy than Dr. A. H. Bradford, Dr. Washington Gladden, and Dr. Newman Smyth. . . .

“We are glad to be able to announce the existence of two organizations which promise to do much toward meeting this demand.<sup>1</sup> The first is the “Institute of American Civics.” Its object is to promote the study of politics rather than of political economy, but the two are so intimately interwoven as to be practically inseparable. The other organization, as we have intimated, is still in the process of formation. . . . Its purpose is to promote by publication, agitation, mutual conference, and study, and thus accumulated observation and investigation, a new political economy which shall recognize in man some other and higher motive than that of self-interest; which shall acknowledge the aphorism of Professor Ely, ‘From a purely scientific standpoint, we do not live for ourselves alone, but for one another as well as ourselves;’ which by combination shall give character and dignity to a new science, liable without such combination to be ignored by the public as the vaporings or the idiosyncrasies of individuals; which, in a word, shall aim forcibly and efficiently to meet and supply the demand which De Tocqueville has interpreted: ‘A new science of politics is needed for a new world.’ The *Christian Union* gives hearty greeting and Godspeed to both these organizations.”

*From the Philadelphia Times.*

“The idea of the proposed association is to begin at the beginning, accepting nothing as indisputable, just because some great political economist said so. If the great political economist failed to prove it, so much the worse for the great

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<sup>1</sup> That is “for a larger discussion and a better light.”

political economist. Free discussion and correspondence is to be welcomed, and no argument which contains a grain of sense is to be repudiated as worthless. Digests of the material collected are to be published from time to time, and conclusions that are indicated even from the start will not be hastily accepted, or accepted at all, until all the returns are in which can be expected of the current stage of civilization, and even then everything will be held provisionally. . . . The scope of this enterprise is greater than that of any official Bureau of Labor Statistics can well be, because its operations will be less liable to interruption through a change of party supremacy or a failure of appropriations. It ought to do good."

It was finally decided to meet at Saratoga at the time of the annual meeting of the American Historical Association, which had been announced for September 8-11. This seemed desirable, as nearly all who wished to form the Economic Association belonged at the same time to the Historical Association. In response to a call signed by Professors H. C. Adams, J. B. Clark and R. T. Ely, and read in a public meeting of the Historical Association, the following gentlemen, among others,<sup>1</sup> met in the Bethesda Parish Building at four o'clock, September 8th, 1885, to take into consideration plans for the formation of an American Economic Association:

Hon. Andrew D. White, President C. K. Adams, Professor H. C. Adams, Professor R. T. Ely, Professor E. J. James, Rev. Washington Gladden, Professor E. Benjamin Andrews, Rev. Samuel W. Dike, Professor J. B. Clark, Mr. V. B. Denslow, Professor Alexander Johnston, Dr. E. R. A. Seligman, Professor H. B. Adams, Mr. F. B. Sanborn, Miss Katharine Coman, Mr. Davis R. Dewey, Edward W. Bemis, Ph.D., Mr. John A. Porter, Clarence Bowen, Ph.D., Professor Herbert Tuttle, Hon. Eugene Schuyler.

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<sup>1</sup> A complete list was not kept, and the Secretary is unable to remember all the names of those present.

DR. JAMES called the meeting to order and nominated Professor Henry C. Adams as temporary Chairman. Professor J. B. Clark then nominated Dr. R. T. Ely as temporary Secretary. These gentlemen were thereupon elected.

DR. ELY was then called upon to make a statement in regard to the purposes of the proposed association.

#### **STATEMENT OF DR. RICHARD T. ELY.**

After describing the events which had led to the meeting then being held, Dr. Ely continued as follows:—<sup>1</sup>

One conclusion is undoubtedly warranted. The time is ripe for such an association.

Passing over to the prospectus, it is scarcely necessary to say much about the first three "objects" of the association. We want to encourage research by the employment of all means at our command, and to publish monographs. This seems better than the publication of a journal of political and economic science, for the reason that it promises nothing which cannot be fulfilled. It is important to avoid anything which can prove a fiasco, always discouraging and likely to subject one to ridicule. It seems to me—and all consulted have been of the same opinion—that we ought by no means to attempt anything which will not in all probability prove a success. If we take one step at a time, we shall make satisfactory progress and I think in the end, rapid progress. The idea, then, is to publish matter worthy of publication as fast as we may be able to do so. If the series of monographs should in course of time grow naturally into a magazine, we could rejoice in a substantial success.

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<sup>1</sup> It must be borne in mind that this statement is simply the individual statement of Dr. Ely. It gives an expression of the aims of the association as they presented themselves to his mind. While some endorsed it all without reservation, others objected strongly to some of his views. The statement has never been accepted by the American Economic Association as an authoritative expression of its views and aims.

The fourth "object" contemplated in my opinion and I think in the opinion of others who assisted in formulating the "objects"—was merely advice to those throughout the country who should join the association and desire to pursue economic studies systematically. This advice might be by means of printed lists of books to be read, accompanied by useful suggestions about profitable methods of study and research. But in the editorial about our movement in the *Philadelphia Times* of August 20th, I find an idea which may prove valuable. The writer of this editorial in question evidently supposed the intention was to establish a Bureau for the collection of statistical, social and economic material—"Quellen-Material"—digests of which were to be published. The final paragraph of the article reads as follows: "The scope of this enterprise is greater than that of any official Bureau of Labor Statistics can well be, because its operations will be less liable to interruption through a change of party supremacy or a failure of appropriations."

This is ambitious but may it not prove practicable? Might we not gather together at some central point a mass of valuable material? The work indicated is, I think, somewhat similar to that of the London Statistical Society, which has its own library, and it is such work that Professor Henry C. Adams suggests that we undertake.

One aim of our association should be the education of public opinion in regard to economic questions and economic literature. In no other science is there so much quackery and it must be our province to expose it and bring it into merited contempt. A review at each of our meetings of the economic works of the past year, if published in our proceedings, might help in the formation of enlightened judgment.

Coming to the platform, a position is first of all taken in regard to the state, because it is thought necessary precisely at this time to emphasize its proper province. No one invited to join this association, certainly no one who has been active in calling this meeting, contemplates a form of pure social-

ism. "We recognize the necessity of individual initiative." We would do nothing to weaken individual activity, but we hold that there are certain spheres of activity which do not belong to the individual, certain functions which the great co-operative society, called the state—must perform to keep the avenues open for those who would gain a livelihood by their own exertions. The avenues to wealth and preferment are continually blocked by the greed of combinations of men and by monopolists, and individual effort and initiative are thus discouraged. Two examples will suffice—You know that in the Western grazing regions water is often scarce, and those who control the streams virtually own the country. Now it is a notorious fact that unlawful combinations seize upon these streams and, keeping others from them, retain exclusive privileges which shut off effectually individual exertions on the part of those not in the ring. A second example is found in unjust discriminations in freight charges which have built up the fortunes of the favored, and ruined competitors. In looking over the field of economic life, it is evident that there is a wide feeling of discouragement, repressing the activities of the individual, because the avenues to material well-being are so often blocked. Then there are things which individuals ought not to perform because the functions concerned are public; and in certain places the wastes of private competition are too enormous. There are, likewise, important things which individual effort is powerless to effect, e. g., the education of the masses.

We hold that the doctrine of *laissez-faire* is unsafe in politics and unsound in morals; and that it suggests an inadequate explanation of the relations between the state and the citizens. In other words we believe in the existence of a system of social ethics; we do not believe that any man lives for himself alone, nor yet do we believe social classes are devoid of mutual obligations corresponding to their infinitely varied inter-relations. All have duties as well as rights, and, as Emerson said several years ago, it is time we

heard more about duties and less about rights. We who have resolved to form an American Economic Association hope to do something towards the development of a system of social ethics.

It is asked: what is meant by *laissez-faire*? It is difficult to define *laissez-faire* categorically, because it is so absurd that its defenders can never be induced to say precisely what they mean. Yet it stands for a well-known, though rather vague set of ideas, to which appeal is made every day in the year by the bench, the bar, the newspapers and our legislative bodies. It means that government, the state, the people in their collective capacity, ought not to interfere in industrial life; that, on the contrary, free contract should regulate all the economic relations of life and public authority should simply enforce this, punish crime and preserve peace. It means that the laws of economic life are natural laws like those of physics and chemistry, and that this life must be left to the free play of natural forces. One adherent uses these words: "This industrial world is governed by natural laws . . . These laws are superior to man. Respect this providential order—let alone the work of God."

The platform then emphasizes the mission of the State and the mission of the individual in that State. *To distinguish between the proper functions of the two must be one of the purposes of our association.*

The mission of the Church is likewise emphasized, and for this there is good reason which cannot, perhaps, be better stated than in the words of Professor Macy of Iowa College. I quote from a letter recently received from him:

"The preacher, in an important sense, is to be the originator of true social science; his work is to render possible such a science.

"The physical scientist needs no preacher. There is an external material thing which compels belief. For the most part, men have no selfish interest in believing other than the truth in regard to the material world. Those who devote

themselves to the study of matter are led naturally into a truth-loving and truth-telling spirit, and they can laugh at the preacher. But those who devote themselves to the study of the conflicting interests of men, have on their hands altogether a different task. There is no external material thing to solve their doubts, and men prefer to believe that which is not true; and when they believe the truth they often think it best to pretend to believe the false. Falsehood, deception, lying, and above all an honest and dogged belief in error—these are athwart the path which might lead to a real social science. And who can tackle these better than the preacher?"

In addition to these words of Professor Macy, it may be said that we wish to accomplish certain practical results in the social and financial world, and believing that our work lies in the direction of practical Christianity, we appeal to the church, the chief of the social forces in this country, to help us, to support us, and to make our work a complete success, which it can by no possibility be without her assistance.

The religious press of the country can aid us greatly in our task, and it will not, I believe, refuse its co-operation. Its influence is enormous, and notwithstanding all that has been said against it to the contrary, I believe that to-day it is the fairest, purest and most liberal press in the country. The fourth paragraph in the platform seems to me to be imperatively necessary. We want to proclaim to the world that political economy is something much broader than partisan controversies about free-trade and protection, that we are in fact neither free-traders nor protectionists in the partisan sense of those words.

It may be asked: Why have any platform at all? Why not simply invite all interested in political economy to come together and aid in economic research?

The reply is not a difficult one. This association intends to combine two ends. It proposes to influence public opinion; also to investigate and study. Now, if there has ever been found in any place an economic society without the advocacy,

either open or concealed, of certain tendencies, at least, it has not come to my knowledge. I do not believe it would be wise to attempt such a thing. The fundamental differences between economists are so radical that they cannot all work profitably together.

Our platform is very broad and will include nearly all those who can co-operate advantageously with us. It advocates simply certain methods of study and the accomplishment of reforms by certain means which alone seem to us to promise valuable results. We believe in historical and statistical inquiries and examinations into actual conditions, and should we include those who do not, there would be division at the start. If two people are journeying together to a certain goal and come to a fork in the road, it is evident that they must part company if each insists on believing that their common destination lies in a different direction. That is our case. We have little faith that the methods advocated by certain economists will ever lead to any valuable results. They may take their own way, and far be it from us to hinder them, but we must part company.

Again, it is not easy to arouse interest in an association which professes nothing. This proposed economic association has been greeted with enthusiasm precisely because it is not colorless, precisely because it stands for something.

Finally, it is of the utmost importance to us to emphasize certain fundamental views in order to bring them prominently before the public. It is essential that intelligent men and women should distinguish between us and certain economists in whom there is little faith. The respect for political economy, as it has been hitherto taught, is very slight. I think it has been kept alive largely by ignorance on the one hand—on the other by the cloak it affords to wrong-doing and the balm it offers to still the voice of outraged conscience. On every side we find intelligent people dissatisfied with it, throwing all political economy to the winds, while John Stuart Mill repudiated his own economic system, and one



of the most careful students of economic facts, Thorold Rogers, finds its conclusions so at variance with the results of his investigations, that he rejects it with scorn, and believes it necessary to build up a new political economy by a long and careful process, piecemeal, as he himself expresses it.<sup>1</sup> We of this association must come before the public with the unequivocal assertion that we, also, refuse to accept as final "the statements which characterize the political economy of a past generation, and that we believe our science is in the first stages of its scientific development."

Our attitude is a modest one, and must, I think, appeal to the best intelligence of the country. We acknowledge our ignorance, and if we claim superiority to others it is largely on the very humble ground that we know better what we do not know. We confess our ignorance, but are determined to do our best to remedy it, and we call upon those who are willing to go to work in this spirit to come forward and help us.

At the conclusion of the paper presented by Dr. Ely, the provisional platform and statement of objects were presented and discussed in detail, nearly all present taking part in the animated debate.

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<sup>1</sup> It does not follow that the work of men like Adam Smith, Malthus and Ricardo was not valuable, nor that its conclusions were altogether erroneous. They and other thinkers of their day occupy a brilliant place in the history of political economy. The chief fault to be found with those who have attempted to build up a standard of orthodoxy on the basis afforded by these great thinkers is that they hinder progress, that they pervert the spirit of their masters, and fail to recognize that political economy must grow with the growth of society. A political economy written before the introduction of railroads can hardly be sufficient in the year 1885. Adam Smith would have been the first one to recognize this, and I think that the latest developments in economic science are in some respects a return to the spirit and methods of the "Wealth of Nations," as was suggested by Professor Henry C. Adams in the discussion of the "platform" at Saratoga.

**DISCUSSION OF THE PLATFORM AT SARATOGA.**

PROFESSOR HENRY C. ADAMS expressed himself as most heartily in favor of the purposes of the proposed association, and, so far as he was personally concerned, would be quite willing to undertake a defense of the statement of principles as presented. He thought, however, that it might be wise to modify them in one or two particulars; for they were too explicit to be held merely as general statements, while at the same time they did not say enough to guard against possible misapprehension. In two particulars was there danger of misunderstanding. In the first place, a formal denial of the claims of *laissez-faire* might be construed to mean the acceptance of what is popularly known as the German view of social relations. This, he thought, would be unfortunate, for it would not properly represent the opinions of some who were interested in the present movement. It may be admitted that the English political philosophy (or what goes by that name), which regards the state as a necessary evil, is untenable. The state is not an appendage to private action. But on the other hand, German political philosophy, which presents the state as the final analysis of human relations, is equally erroneous. The truth is, that society is the organic entity about which all reasoning should center, and both state action and the industrial activity of individuals are but functions of the organism, society. The great problem of the present day is properly to correlate public and private activity so as to preserve harmony and proportion between the various parts of organic society; and he believed that the path by which this purpose might be attained had been indicated by neither English nor German economists. In the second place, the speaker ventured the opinion that the Association would gain material strength by formally expressing its high appreciation of the work of former economists. This movement should be considered as a further development of the work which they so well began. The radical changes in society have forced new problems to

the front for study and solution, but the claim to be historical students would be forfeited, should even a suggestion of isolation make its appearance. Much is heard to-day among the philosophers of a return to Kant; current political economy needs nothing at present so much as a return to the spirit of Adam Smith.

PROFESSOR JOHNSTON, agreeing, in the main, with the propositions offered by the secretary, wished that their expression could be considerably modified. He apprehended that the words might seem to imply an absolute rejection of the work of the great thinkers upon economics. On the contrary, their work must stand, since it has not been successfully assailed. The definitions which they have thought out so laboriously and put into apt words as a basis for the work of future generations, we ought not even to seem to treat with disrespect. This is not a rebellion against Adam Smith, Malthus, Ricardo and Mill; only a struggle for freedom of development of their work. Bagehot speaks of the "crust" which grows up at some stages of human development, preventing any further advance. This is an effort to stop the formation of any "crust" on the development of economics, to assert the economic right of attempts to develop in every direction, unhampered by any accusation of heterodoxy, with the assurance that unlimited freedom of individual attempt to develop will bring about the truest, most natural and healthiest development. More stress ought to be laid on such expressions as those of Thorold Rogers, that the "new economy" is only Adam Smith with a frank recognition of the new conditions introduced by steam and electricity. He did not care to see any sweeping condemnation of the much-abused doctrine of *laissez-faire*, only an absolute restriction of it to its legitimate sphere, that of production and exchange, and a recognition of the legal right to limit its application even there. He would not care to live in a state of society in which the popular sense of reliance on the true principle of *laissez-faire* was dulled or destroyed. We ought to be care-

ful while fighting the illegitimate application of the doctrine to matters properly within the domain of morals or the state, not to seem to ask the total abolition of the legitimate principle, the secret of individualism, the basis of modern society. It is "an inadequate explanation of the relation between state and citizens," but not necessarily a false one in its place. He would like to see that brought out clearly in the platform, as he thought it was what the mass of those present meant and desired. Professor Johnston opposed the doctrine that the state has an "economic function," though freely admitting its importance in guarding interests of society more precious than any economic interests could be.

MR. VAN BUREN DENSLOW objected to the use of the word "Church" in the statement of principles, on the ground that it would prejudice the association; also, that there is no Church in this country, only a group of religious societies. He also objected to the statement that the state is an educational agency.

DR. ELY defended the proposition that the state is an educational agency. He thought that apart from its direct participation in the education of the young, all its institutions had an educational value, and contended that this was even true of a penal code, which assisted in the development of the ethical side of man's nature. No one thought of such a thing, it was urged, as a union of Church and state, which would commend itself, he was very sure, to no one present. The truth was simply emphasized, that the church has her own proper functions in society which cannot with impunity be neglected.

Dr. Ely also maintained that the proposed association ought in no sense to be regarded as a German movement, as some had intimated. Nothing about it was more marked than its American character. It had sprung up almost spontaneously in answer to felt needs. Doubtless many present had studied in Germany, and were grateful for what they had learned in the German universities; but nothing was more

foreign to their purposes than to import Germany into America.

DR. WASHINGTON GLADDEN said :—"It is true that there is no national Church in this country, and that the word is used here in many different senses. The denomination to which I belong is the most radical of all in its use of this term, and limits it to the local body of Christians. Nevertheless even among us the word is often used in its broadest sense to describe the whole body of Christian people. It might as truly be said that we have no 'State' in this country, because there are so many states. But we use that word also in its broader sense, as describing political society. Political society as such can help in solving these problems which have come to the front in these last days. The whole body of religious people in the country can also help in their solution. Without the intervention of the moral forces represented by the Church, these questions will never be answered. The Church is already taking hold of these matters with vigor, and there is no reason why this association should not recognize and welcome its co-operation."

PRESIDENT ANDREW D. WHITE expressed himself as ready to stand on the platform as presented. He was glad to see this movement and paid a high tribute to those present who were assisting in the establishment of the new society. He considered the return of "these young men from Germany" as of sufficient importance to constitute an epoch in American history. He was also glad to see it explicitly stated that the association did not design to become either a free-trade club or a protectionist club, as the fact needed to be emphasized, that political economy was something broader than controversies about the tariff. A prominent journal had ventured to express disapproval when, as President of Cornell University, he invited two gentlemen to present the two sides of this issue, it being implied that political economy was identical with one view of the subject. President White spoke of the total inadequacy of the so-called *laissez-faire* theory of politi-

cal economy, saying that in Europe it had entirely broken down.

PRESIDENT C. K. ADAMS followed with an expression of his understanding of the purposes of the association. He said that in signing the call he had understood that the design of the new organization was to promote the study of economic science from what may be called the historical point of view. He had the impression that the time had come to organize into an association all those who are ready to admit that it is impossible to formulate what there is of political economy into an economic code of universal application. He believed that economic science must be studied in the light of history, inasmuch as experience has shown that many of its doctrines must be regarded, not as truths of universal application, but simply as truths to be adapted to the changing conditions of human development. In the way of illustration, he called attention to the fact that the so-called doctrines of *laissez-faire* are now generally regarded by economists as of much less wide-spread application than was supposed by the economists of fifty or even twenty-five years ago. Thus the course of history has compelled economists to modify some of their beliefs, and, consequently, how far their beliefs are subject to still further modification is a legitimate subject of inquiry. Such inquiry he supposed to be one of the most prominent objects of the new organization.

PROFESSOR E. J. JAMES expressed himself as very much pleased with the hearty response to the proposal to organize an Economic Association which was indicated by the presence at this meeting of so many representative workers in the field of economics. It was a matter of surprise that there should be so much unanimity of sentiment among men who had never before had the opportunity of coming together to exchange opinions on questions which were the subject of so much dispute. It argued well for the future success of the association. He thought the proposed platform might well be modified in certain particulars, as the language might convey false impres-

sions as to the views of the men who were present. It should contain a hearty acknowledgment of the work done by the so-called orthodox school, and insist on the fact that the association proposed to work on the basis of whatever truth had been discovered and formulated by previous workers in this field, no matter to what school they belonged. It should, nowever, also contain a vigorous expression of the intention of the association to go forward in the investigation of economic truth as far as possible, without any of those prepossessions and limitations which are inevitably connected with the habit of regarding any past thinkers as having spoken the last word, even on the topics which they discovered. Our glance is toward the future and not toward the past. Our aim is to add to our positive knowledge of economic and social phenomena, and not merely to correct and restate the formulas of a past generation. We shall try to do for our day and generation what Adam Smith did for his.

On one point we certainly all differ from the general tone of Adam Smith and some of his so-called orthodox followers of the early half of this century, and that is as to his conception of the state. We do not regard it as a merely negative factor, the influence of which is most happy when it is smallest, but we recognize that some of the most necessary functions of a civilized society can be performed only by the state, and some others most efficiently by the state; that the state, in a word, is a permanent category of economic life, and not merely a temporary crutch which may be cast away when society becomes more perfect. This sentiment should find expression in the platform.

At the same time, we must guard against the idea that we are in favor of a continually growing interference of the state in social and economic life, no matter at what cost to the individual. We should give no justification for the charge that we are "state socialists" or "professorial socialists," as a group of German thinkers are so ridiculously called by their opponents. We should emphasize the fact that there is a

legitimate sphere of state activity and a legitimate sphere of individual activity. Neither should be allowed to encroach on the other, and it is one of our objects to determine, as far as is possible by impartial scientific investigation, the proper boundaries of each. It is possible that we might all agree to the statement of John Stuart Mill on this point, viz: "that the ends of government are as comprehensive as those of the social union. They include all the benefit and all the immunity from evil which government can be made to confer." Such a statement would leave the question of government interference to be decided in each case on its own merits, and not commit us either to an extension or a circumscribing of government activity. Let us, by all means, make the platform broad enough to include everybody who is willing to undertake, in a serious spirit and by a scientific method, the investigation of the great problems of our social, political and economic life.

DR. SELIGMAN feared that the statement of principles as originally drafted might create in some minds a misconception of the true object of the association. He believed, and thought that the majority of the members agreed with him in believing, that the reaction against the principle of free competition had perhaps been somewhat exaggerated by certain recent economists. Competition is not in itself bad. It is a neutral force which has already produced immense benefits, but which may, under certain conditions, bring in its train sharply defined evils. Modern economics has, however, not yet attained that certainty in results which would authorize us to invoke increased governmental action as a check to various abuses of free competition. He thought that care should be taken to preserve an impartial scientific attitude, and that the great aim of the association, as of all political economy, should be to investigate the actual facts of each particular question thoroughly, and without any prepossessions on the side of complete liberty, or of necessary restriction. He did not wish that any economist who worked in the true scientific



spirit should deem himself precluded from joining the association through fear of any imagined Katheder-Socialistic tendencies. He thought that there was much less difference between the followers of the historical school and the present moderate adherents of the orthodox school, than is generally imagined. He trusted that the work of the association would consist in formulating results after the field had been thoroughly canvassed, and not in positing preconceived conclusions which the facts might be chosen to illustrate.

PROFESSOR ANDREWS was happy to concur almost exactly with Dr. Seligman. He wished that the platform might be so framed as to exclude no earnest economist from the association. To this end he would be willing to omit the Statement of Principles, allowing the doctrine of the organization to fix and declare itself in its work. He had expected, in coming here, to find himself the most conservative economist present, and was not a little surprised to discover that, apparently, he was not so, some having spoken in opposition to the conception of the state as a factor in economic advance. He regarded the state as a condition not only of "human" progress, a proposition which, he thought, no one would dream of gainsaying, but also of economic progress. As to the work of the Church in the economic field, he agreed with Drs. Ely and Gladden. On the other hand, he was anxious that the value of economic discussion and development hitherto should be fully recognized. No impassable gulf separates Wagner, Roscher and Knies from Adam Smith, Mill and Ricardo, and he believed it a misfortune for young Americans to begin the study of those German authors without some previous acquaintance with the great English masters. He hoped it would be distinctly understood that the association has not committed itself to the doctrine of protection any more than to that of free-trade, and considered that there might be necessity of laying stress on this, as he had recently read a long article in a prominent Massachusetts newspaper prophesying with confidence that the association would be an ally of protection.

PROFESSOR J. B. CLARK spoke as follows :

“Our discussion of the platform must proceed somewhat blindly unless we know at the outset what use we are to make of it. If it is a creed binding on the individual members, we must make it so highly conservative as to be comparatively meaningless. If, on the other hand, it is so to be used as to give a certain unity of purpose to the general work of the society, while not binding the individual member, then we may adopt the form presented to us by Dr. Ely, subject to minor changes. The point upon which individuals will be unable to unite is, especially, the strong condemnation of the *laissez-faire* doctrine. The first thing to be decided is, therefore, in what manner the platform is to be used.”

DR. H. B. ADAMS of the Johns Hopkins University suggested a way out of the difficulty which arose from the objection that the “platform” would be regarded as a creed binding upon members. He offered a resolution which, with slight modification, was finally printed as the present “note” appended to the “Statement of Principles.”

It was finally decided to refer the platform to a committee of five, consisting of the chairman, the secretary, and three other gentlemen to be appointed by the chair. Messrs. Gladden, Johnston and Clark were subsequently appointed. The chair was also instructed to appoint a committee on organization, and subsequently appointed Messrs. James, H. B. Adams and E. B. Andrews. The meeting adjourned at six, to meet in the same place at four o'clock, Wednesday, September 9th.

## THE SECOND SESSION.

SARATOGA, SEPTEMBER 9TH, 1885.

At four o'clock, Professor Henry C. Adams, acting as chairman, called the meeting to order. The first business before the meeting was the report of the committee on the objects of the association and the statement of principles.

The members of the committee concluded, as a result of the debate on the preceding day, that a simplification of the declaration of purposes was desired; also a positive rather than a negative statement in every practicable instance; finally, a modification of some of the views expressed in the "Platform." It was also felt that it was desirable to make it plain that it was not the intention of the founders of the association to formulate a creed which should restrict freedom of inquiry or independence of thought. The committee endeavored to attain this object by a note to that effect, to be appended to the statement of principles. The report, as submitted, was debated passage by passage, was slightly amended, and then accepted and became our present declaration of "Objects" and "Statement of Principles."

Dr. James, as chairman of the committee on organization, presented a plan of organization which was modified in a few particulars and then adopted.

Professor Henry C. Adams was then requested by vote of the society to act as chairman until his successor should be appointed, and Dr. R. T. Ely was requested, in like manner, to act as secretary and treasurer for the same period. The American Economic Association was then formally organized, and the 9th of September, 1885, must be considered as the day of its birth. The day following, the present officers were elected and the Economic Association adjourned *sine die*.

The plans of the association were committed to the executive committee for the coming year. In order to decide upon the line of work and to elaborate those details of organization which the council had intrusted to the members of this committee, two meetings of the officers of the association were held in one of the parlors of the United States Hotel, one on the 10th of September, and the other on the 11th. Various members of the committee and of the association were assigned to the different standing committees. A list of the committees and of those who constitute them may be found in the following pages. Several lines of investigation were suggested

by members of the executive committee. The place of the next annual meeting of the association was discussed, but no conclusion was reached. The fact was mentioned that several members in the West and South desired an earlier meeting that they might be able to attend in greater numbers;—the duties in the schools and colleges in those regions beginning early in September.

Since the adjournment, many favorable accounts of the American Economic Association and letters from persons distinguished in various walks of life have been received, in which the warmest approval of our aims has been expressed. Some may be glad to know that the late Dr. Elisha Mulford took a warm interest in our association. In a letter to the secretary he said :—“No recent invitation has given me more pleasure than yours to join the American Economic Association. I subscribe to its articles.”<sup>1</sup>

“It places us in the same plane with all the greater universities and with the age. In the transitions of thought, none has been more significant than the humanization of political economy. Now, as Mr. Toynbee says: ‘the long controversy between the economists and human beings has ended in the conversion of the economists.’”

The Secretary was instructed to communicate to General Walker, who was unable to be present, the fact of his unanimous election to the presidency of the association. General Walker replied as follows :—“I cannot tell you how much I am gratified by the formation of the American Economic Association by men who believe that there is still work to be done in economics and who wish to take part in doing it; or how glad and proud I am to assume the high office to which my colleagues have raised me. Please to believe that I shall rejoice to labor at all times and in any way for the enlargement of the Association and for its increasing success and usefulness.”

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<sup>1</sup>Those to which Dr. Mulford refers are the statements of the original platform.

The American Economic Association has already accomplished great good. It has stimulated thought in every quarter, has awakened new interest in economics, has brought kindred minds into fruitful contact, has aided students by advice and counsel through its Bureau of Information, and has even now begun to exercise a perceptible influence on public opinion. New names are continually being added to its lists of members, in many places a desire to organize branch or local societies is expressed, and there is every reason for us to look forward with confidence to a long and useful future for the AMERICAN ECONOMIC ASSOCIATION.